IV: Budget Neutrality

Pursuant to Section 1115 of the Social Security Act, a state must demonstrate that a proposed waiver program will not cause federal expenditures to increase beyond what they would have been under traditional Medicaid rules over the waiver period. Currently, Massachusetts is in the first year of the three-year extension period of the waiver. As this model demonstrates (see Table 1), the Commonwealth has ample room within its existing 1115 Demonstration Waiver to absorb the cost of Prescription Advantage.

The "without waiver" assumptions for the populations and PMPM costs already covered by the waiver are the same as those used to calculate budget neutrality for the Commonwealth's extension request. The caseload for the base population has been updated from projected to actual amounts, where appropriate. Additionally, "with waiver" spending has been updated with recent data.

The size of the "cushion" between the "without waiver" ceiling and the "with waiver" ceiling is significantly higher in this submission than it was in the last budget neutrality submission, which was used in the expansion request. Most of this is due to unanticipated growth of the base family population in SFY02. While the budget neutrality submission for the expansion request assumed a 2% growth in the base family population, actual growth was approximately 11%. As is evident in the 1115 Quarterly Report submissions for FY03, actual growth of the base families appears to have returned to the originally anticipated rate of 2% to 3% annually.

New Expansion Population: Prescription Coverage for the Elderly and Disabled

Prescription coverage for low-income (below 200% FPL) elderly and disabled individuals will be provided through Prescription Advantage, as described in Section 1. Enrollment is projected on a monthly basis for each of the enrollment categories. Future enrollment growth is attained by applying monthly enrollment growth factors to the Plan's enrollment.

Enrollment growth factors are based on the assumption that there will be an open enrollment period for a start date of July 1 in every year. PMPM estimates were created using an actuarially based financial projection model. Each month, as actual data becomes available, the model is updated. Part of the updating process is a reconsideration of assumptions and the adjustment of the Plan's annual cost and utilization trends.

Prescription Advantage Program Projected Caseload and PMPM

Fiscal Year		FY2003	FY2004	FY2005
Member Months	Elderly	785,289	939,939	1,033,932
	Disabled (1)	50,509	75,814	76,648
	Combined	835,797	1,015,753	1,110,580
PMPM	Combined	$ 90.47	$ 113.65	$ 130.92

(1) Disabled population includes the expansion to individuals at 188%-200% FPL in FY04 and FY05